

ECONOMIC DEVELOPMENTS AND PROJECTED INDUSTRY OUTLOOKS-WEST VIRGINIA

FISCAL YEAR 1999 (JULY 1998 - JUNE 1999)

West Virginia is the only state contained entirely within the Appalachian Region. Its economy is profoundly affected by its geography. The interaction between West Virginians and their land is a common thread throughout the history of the state.

The rugged terrain and the bountiful deposits of coal, oil, salt, limestone and clay shaped the nature of the state's economic development. If one views the mountains and not the mineral wealth, West Virginia closely resembles one of the rural New England states but for its economic differences. The fact that the terrain made it more profitable to take the fuels to the factories, rather than the reverse, determined the economic development of West Virginia. Economies based on the extraction of minerals generally have been slower to evolve into "mature" economies than more broadly based ones, and traditionally have been subject to the wildly gyrating "boom/bust" cycles common to all basic commodities markets. This has caused much economic chaos in West Virginia in the past. In particular, the infrastructure, labor market and distribution systems have seldom matched the needs of the resident population. Over the last several decades, technological improvements and large scale mechanization of many worksites have permanently curtailed the levels of labor needed for each unit of production in many mining and manufacturing settings. The resulting jobs vacuum, together with major modernization of our transportation system and the flood of new communications technologies available, has intensified the trend for more varied companies to take advantage of West Virginia's labor surplus, beautiful environment and pastoral quality of life to help build a more stable, diversified economy than has existed in the past.

The following is a discussion of the statewide labor market picture, followed by historical and forecast data tables for West Virginia as a whole, as well as for the Northern Panhandle Service Delivery Area, Kanawha County Service Delivery Area, and the Balance of State Service Delivery Area.

UNEMPLOYMENT REVIEW

The unemployment rate is a contributing measure of the economic health of a particular geographic area. In its simplest term, the unemployment rate simply reflects how easy or hard it is to find a job. During FY 1997, the statewide rate (Table 8) declined by 0.6 percentage points to 7.2 percent of the civilian labor force. The number of persons unemployed in West Virginia decreased by 800 during FY 1996, and fell an additional 4,200 in FY 1997. This represents a decline of 1.3 percent in the number of unemployed during FY 1996, and a decline of 6.8 percent during FY 1997. The insured unemployment rate, which is a measure of those unemployed workers covered by unemployment insurance, declined significantly during FY 1997 to 2.7 percent (-0.3%). The current fiscal year figure is down relative to both the FY 1995 and FY 1996 numbers. The actual number of insured unemployed, which increased by approximately 1,300 during FY 1996, declined by over 2,000 during FY 1997. The current FY 1997 insured unemployment total is well below the approximately 22,800 persons recorded during recession-plagued FY 1992.

The predominantly rural nonfarm counties in West Virginia continue to exhibit generally higher unemployment rates than their metro area/Eastern Panhandle counterparts. During FY 1997, the ten counties that experienced the highest unemployment rates (Table 9) were Mason (11.4%), Barbour (11.6%), Lincoln (11.6%), McDowell (12.1%), Ritchie (12.2%), Tucker (12.2%), Clay (12.6%), Mingo (13.6%), Wirt (14.9%) and Calhoun (17.9%) counties.

Metropolitan areas and the Eastern Panhandle counties of West Virginia continue to produce the lowest unemployment rates. Pendleton County recorded the lowest FY 1997 annual average rate of 3.7 percent. Hardy County had the second-lowest rate of 3.9 percent. Collectively, the seven Eastern Panhandle counties recorded unemployment rates that are regarded as better than average when compared to the West Virginia FY 1997 unemployment rate of 7.2 percent. Grant County is the only exception to the trend. Grant County posted an annual average unemployment rate of 10.2 percent. Berkeley and Jefferson Counties, which are part of the D.C./Baltimore Metropolitan Statistical Area, recorded unemployment rates of 5.1 percent and 4.0 percent respectively. The Charleston Metropolitan Statistical Area recorded an unemployment rate of 5.0 percent (Table 15) during FY 1997, the lowest among all the Metropolitan Statistical Areas. The Parkersburg-Marietta MSA recorded the second-lowest rate of 5.9 percent, followed by the Wheeling-Bridgeport MSA at 6.1 percent. The Huntington-Ashland-Ironton MSA posted the highest FY 1997 unemployment rate of 6.9 percent.

The Southwestern coal fields of West Virginia continued to produce predominantly double-digit unemployment rates. The FY 1997 annual average rates for this particular group of counties range from a high of 13.6 percent in Mingo County to 9.9 percent in Boone County. The wholesale job decline in West Virginia's bituminous coal mining industry is responsible for the adverse labor market conditions in this area of the state.

LABOR FORCE REVIEW

The civilian labor force within a specified geographical area might well be defined as those non-institutional persons who are either classified as employed or unemployed and are actively seeking work or those who are involved in a labor-management dispute. As a result, fluctuation in the civilian labor force affects the movement of the unemployment rate. The FY 1997 annual civilian labor force for West Virginia currently stands at 807,700 persons (Table 8). The FY 1997 figure increased by 10,100 from the FY 1996 level of 797,600 persons. The resident-based employment level increased by 14,400 persons during FY 1997, while total unemployment declined by an impressive 4,200 persons. The net adjustment between employment and unemployment indicates the previously mentioned 10,100 persons who have entered the statewide civilian labor force. Comparison between the FY 1996 and FY 1995 civilian labor force data reveals an increase of 13,900, with a gain of 14,600 resident-based employed. Between FY 1995 and FY 1997 employment increased by an astounding 29,000 persons. Percentage-wise, the FY 1997 civilian labor force in West Virginia grew by approximately 1.3 percent, while the FY 1996 comparison increased at a faster 1.8 percent rate. The FY 1997 slowdown in rate of growth in the West Virginia civilian labor force mirrors a like decrease in the rate of growth in total nonfarm payroll employment. One positive economic development for West Virginia that directly affects the civilian labor force has been the continuing growth in statewide population. Between the 1990 census and the CY 1996 provisional estimate (Table 2-A), total population in West Virginia increased by 32,277 persons. This adjustment represents an overall increase of 1.8 percent. Certainly this increase is minimal. However, it also represents an improvement over the massive losses in population that occurred during the 1980's. Nearly half of this population increase (+14,389) occurred in a three-county area in West Virginia's Eastern Panhandle, namely Berkeley, Jefferson and Morgan counties. Much of the population increase in this particular area reflects in-migration of former Virginia and Maryland residents seeking to avoid the high cost-of-living in the D.C. suburbs. Putnam County increased its population by 6,772 residents according to the latest Bureau of the Census provisional population estimates for 1996. A combining of the total population increase of these four counties between CY 1990 and CY 1996 accounts for approximately two-thirds of total statewide population growth. This recent in-migration has also resulted in a significant increase in the size of the civilian labor force in the four counties. The civilian labor force in the three-county area of the Eastern Panhandle has increased by an average of 5,280 persons. In Putnam County, the civilian labor force has grown by 4,810 persons over the six-year comparison period between CY 1990 and CY 1996.

The composition of West Virginia's population still includes one of the highest percentages of elderly persons when compared to national data. A recent estimate by the Bureau of the Census for CY 1994 indicates that approximately 15.4 percent of West Virginia's total population is 65 years of age or older. This compares to the national average of 12.7 percent. Only Florida (18.4%), Pennsylvania (15.9%) and Rhode Island (15.6%) have higher percentages. Remarkably, there has been growth in the statewide 18-24 year age group (+5.6%). Recent developments in the composition of the statewide industrial make-up suggest that West Virginia is beginning to mirror the nation as a whole. Conceivably, this continued diversification in the state economy will produce the type of job opportunities that will curb the traditional exodus of our younger residents.

UNEMPLOYMENT AND LABOR FORCE PROJECTIONS

Resident-based annual average total unemployment in West Virginia has shifted in cycles over the past eight calendar years (Table 7). From CY 1988 through CY 1990, total unemployment declined from 74,000 to 64,000 persons. Each of the successive years during this two-year period produced an annual decrease in total unemployment. The period of CY 1986 through CY 1990 could be characterized as a recovery period following the drastic effects of a national recession on West Virginia's economy during the early years of the 1980's. Continuing declines in statewide unemployment were bolstered by measurable increases in total nonfarm payroll employment (Table 13-A). Total nonfarm payroll employment increased by an average of 20,300 jobs between CY 1988 and CY 1990. This increase in the job count during the two-year period at least partially contributed to a decline of 10,000 unemployed during the same time frame.

The nationwide recession during CY 1991 and CY 1992 resulted in an increase in resident-based total unemployment (+24,000). During the last national recession, many West Virginians who had migrated to other states during the turbulent decade of the 1980's decided to return to West Virginia when the job markets declined in other states. Since CY 1992, total unemployment has recorded a decline of 2,000 persons for CY 1993 and successive declines of 16,000, 8,000 and 1,000 unemployed respectively during CY 1994, CY 1995 and CY 1996.

On a fiscal year basis, total unemployment shows much the same trend (Table 8). In FY 1996, total unemployment declined by only 800 persons to an annual average level of 62,000 unemployed. This downward momentum accelerated drastically during FY 1997 as total unemployment fell by 4,200 persons to a level of 57,800 unemployed.

Resident-based total unemployment is projected to decline to a level of 51,100 persons during FY 1999. The corresponding FY 1997 unemployment rate is projected to decline from its current mark of 7.2 percent to 6.2 percent through FY 1999.

The West Virginia civilian labor force is projected to increase markedly by FY 1999 to a level of 821,900. This represents a net increase of 14,200 persons, or 1.8 percent through the forecast period. This increase results from the continuing growth statewide in both resident-based and total nonfarm payroll employment.

EMPLOYMENT REVIEW AND PROJECTIONS

Total nonfarm payroll employment in West Virginia continued its growth (Table 5) during FY 1997. The total number of jobs increased by 10,500 over the year, representing an advance of approximately 1.5 percent. The current rate of growth was essentially unchanged from the growth experienced during FY 1996. During FY 1996, West Virginia nonfarm payroll employment grew by 10,600 jobs, producing an increase of 1.6 percent. Between FY 1995 and FY 1997, total nonfarm payroll employment increased by 21,100 jobs or approximately 3.1 percent. Most of the statewide job growth occurred in the service-producing industries sector. The job count in this grouping increased by an average of 10,300 (+1.9%) jobs during FY 1997. Over the two-year comparison period, service-producing industries grew by 22,400 jobs, averaging nearly 2.1 percent growth per year. Statewide goods-producing industries increased

by 200 jobs during FY 1997. Analysis of West Virginia's goods-producing sector in FY 1997 indicates that manufacturing industry employment decreased by 700 jobs over the year. Over the two-year comparison period, this industry declined by 400 jobs indicating a continuing stagnation in the sector. Lumber, wood products and furniture in manufacturing's durable goods sector seems to be the most vibrant industry. Between FY 1995 and FY 1997 this industry has grown by 800 jobs. Electrical and nonelectrical machinery also has posted some positive numbers, increasing by 400 jobs over the two-year comparison period. One of the durable goods mainstays, primary and fabricated metals declined by 800 jobs during FY 1997. Stone, clay and glass employment actually increased by 200 jobs during FY 1997, equaling the FY 1995 total. Nondurable goods manufacturing employment continues on the downswing from FY 1995, decreasing by 1,600 jobs. Employment losses (-700) in the statewide chemical industry over the past two years have fueled a portion of this overall decline. This industry is likely to continue downsizing, as production is transferred overseas or to more productive plants in other states. The West Virginia job market has expanded over the past two years, with the construction industry being a positive reflection of this growth. The job count in the construction industry increased by 2,300 jobs during FY 1997. The current figure also shows an increase of 1,800 jobs over the two-year comparison period. Bituminous coal mining employment declined sharply by 1,600 jobs during FY 1997. Looking at employment in this industry over the two-year comparison period reveals an overall decline of 2,700 jobs. West Virginia's coal industry has been plagued by the Federal Clean Air Act and the need to make deep coal mines more productive. Most of the recent job losses associated with this industry have occurred in the high-sulphur fields of northern West Virginia.

In the service-producing sector, transportation and public utilities employment declined by 800 jobs during FY 1997. Most of this annual decline is a result of downsizing in the electrical and gas utilities (-800) industry, influenced by federal deregulation in the utilities industries. Transportation remains strong with a very slight (-100) annual decline in the job count during FY 1997. Total trade increased by 3,300 jobs during FY 1997, primarily at the retail level (+2,600). Wholesale trade increased by 700 jobs over the year. Eating and drinking places employment grew by 1,400 jobs as the statewide restaurant business continued to flourish. This trend is likely to continue as the diversity of restaurants grows and the statewide tourism industry continues to expand. Food stores employment showed only a marginal increase of 100 jobs FY 1997. Auto dealers and service stations industry employment increased by 600 jobs during FY 1997. Remarkably, this industry has grown by 1,200 jobs over the two-year comparison period. This growth in auto dealer and service stations employment certainly reflects the sharp increase in total personal income in West Virginia over the past three years. In general, the entire statewide retail sector has benefitted from this growth in personal income, as well as regional increases in total population. Finance, insurance and real estate typically shows very little change from year to year in West Virginia. During the past two fiscal years, however, the job count in this industry has continued to increase. This sector has grown by 900 jobs between FY 1995 and FY 1997. Job gains in the real estate industry have fueled much of this increase, as West Virginia's growing economy continues to create a need for additional housing and new or refurbished office space. The presence of the insurance industry continues to remain strong particularly in the administration of the statewide medical insurance programs. The growth in statewide income is also fostering job growth in the life insurance industry. The statewide services industry continues to register job gains. Over the past two fiscal years the job count has increased by 15,200 jobs (+8.5 %). This rate of growth remains well above the statewide nonfarm expansion rate of 3.1 percent over the two-year comparison period. The upward spiral of employment growth in the services industry is expected to continue over the next two years. Total government increased by 1,000 jobs during FY 1997. This growth occurred primarily in the federal (+700) and state (+500) government sectors. Much of this recent growth in the federal sector reflects employment increases in postal, revenue and criminal justice industries. Growth in state government results at least in part from increasing growth in enrollments at state colleges and universities. Local government employment declined by 200 jobs during FY 1997. Statewide nonfarm payroll employment estimates for FY 1999 (Table 5) indicate a projected increase of 27,100 jobs. This represents an annual growth rate of approximately 1.9 percent. This also signifies an

increase in the rate of statewide job growth, from the 1.5 percent per year rate experienced between FY 1995 and FY 1997. West Virginia's goods-producing sector is projected to increase slightly (+800) through FY 1999. Mining is forecast to decrease by 2,300 jobs, primarily in the bituminous coal mining (-1,800) industry. Total manufacturing is forecast to increase by 1,500 jobs, particularly in lumber, wood products and furniture (+800). Chemical industry employment is forecast to decrease by 500 jobs through FY 1999. However, construction is forecast to grow by some 1,600 jobs over the forecast period.

West Virginia's service-producing sector is projected to grow by 26,400 jobs through FY 1999. Again, the large majority of this projected increase will occur in services (+15,500) and trade (+6,100). In retail trade, approximately one-third of this job growth will be in eating and drinking places employment (+1,500). A portion of the overall growth in trade is forecast to occur in general merchandise stores (+700), auto dealers and service stations (+600) and food stores (+500). In services, both business services (+4,500) and health services (+4,300) will account for the lion's share of the job growth. Engineering and management services (+1,100), hotels and lodging places (+600) and social services (+500) are also projected to record job gains through FY 1999.

Total government is projected to increase by 4,200 jobs statewide through FY 1999. Employment at the federal level is projected to advance by 2,300 jobs over the two-year forecast period. Both local and state government are forecast to increase by 900 jobs each through FY 1999.

West Virginia resident-based total employment (Table 8) increased by 14,400 persons during FY 1997 to a level of 749,900 employed. This represents an increase of approximately 2.0 percent during FY 1997. This growth is slightly less than the FY 1996 addition of 14,600 employed state residents. Total employment is projected (Table 12) to be 770,800 in FY 1999, with an approximated annual growth rate of 1.4 percent.

GOODS-PRODUCING INDUSTRIES

Mining

Total employment in West Virginia's coal mining industry has moved downward over the past two fiscal years (Table 5). During FY 1996, the job count in the industry fell by 1,100. The decline continued in FY 1997, decreasing by an additional 1,600 workers to 20,300 employees. Much of this decrease reflects numerous deep-mine closures in the high-sulphur fields in northern West Virginia. However, a number of mines in the southern portion of West Virginia have either closed or have furloughed workers during CY 1997.

During the decade of the 1990s, Wyoming has been the nation's largest coal-producing state, followed distantly by West Virginia and Kentucky. Since mid-November 1996, Wyoming has mined approximately 259 million short tons of coal over a twelve-month period. West Virginia placed second, producing approximately 148 million short tons, with Kentucky third at 139 million tons. Coal production in West Virginia fell by 5 million tons from the same year-to-date comparison period in November 1996.

Production is down by three to four percent in both the northern and southern coal fields. The high sulphur fields of northern West Virginia have been plagued by the implementation of the Federal Clean Air Act in CY 1995. Limits on sulphur emissions in the law require power plant facilities to install expensive filter equipment ("scrubbers") or to buy low sulphur coal, much of it mined in Wyoming and parts of southern West Virginia or eastern Kentucky. By the year 2000 even tougher requirements will be implemented, causing further distress to the northern region of West Virginia. One electric power-generation facility in Marshall County has recently received a waiver from the court allowing it to continue burning high-sulphur coal and helping to preserve the jobs of a number of miners in the northern fields. However, this is only a temporary stop-gap maneuver that may be reversed at anytime in the future.

Many coal mining executives are pinning their hopes and 300 years of coal reserves on clean coal technology development. Since 1985, the United States Department of Energy has conceived a technology program that sets out to develop mining equipment and methods aimed at reducing emissions and making coal more attractive as a fuel. This test program includes the development of a new complete power

generation system for current coal-fired plants, as well as new fuel mixture techniques such as "co-firing". Another factor in evaluating the decline of coal mining jobs in West Virginia has been the "restructuring" program sweeping through the entire industry. Since CY 1995, coal operators have been combining operations and making efficiency improvements, attempting to make their operations as competitive as possible. A portion of that effort is now complete. Over the past decade, the general rule in the coal industry is higher levels of production with fewer workers. The "longwall" deep-mining concept has invaded the statewide coal industry, allowing greater production and causing the productivity of a single coal mining employee in West Virginia to soar. New mining techniques in the surface mining industry have also promoted greater productivity.

There are some positive developments affecting the state's coal industry. A mining development company has applied for permits to open a deep and surface mine in Braxton and Clay counties. In addition, a large coal conglomerate is currently planning to use a new technology to reclaim usable coal from two settling ponds in McDowell County. The resulting product will be processed into a coke-like substance for use in the steel industry. This plan is expected to take about ten years and will provide 60 new jobs. This exciting new technology may result in the development of many other coal ponds in southern West Virginia. Approximately 3,500 persons were employed in the statewide oil and gas extraction industry during CY 1996. This figure remained unchanged from the CY 1995 total. However, employment in the oil and gas industry has decreased by 1,100 workers since CY 1990. West Virginia has plentiful reserves of natural gas. However, this natural resource is acutely sensitive to market prices. With domestic prices currently depressed by international competition, it is unlikely that any job growth in this industry will be forthcoming during the near future. Development of new production techniques such as "fracturing" have made more surplus gas available but low market prices will keep natural gas wells in West Virginia either idle or producing at levels far below capacity.

The annual average job count in the West Virginia mining industry (Table 5) is projected to decline by 2,300 jobs by FY 1999. Much of this decline reflects anticipated losses in the state's bituminous coal mining industry. Total bituminous coal mining employment is projected to decrease to a level of 18,500 jobs (-1,800) by FY 1999. The continuing layoffs at mine sites in southern West Virginia confirms this downward trend.

Construction

Total construction recorded a substantial increase of 2,300 jobs during FY 1997 (Table 5). The calendar year comparison (Table 13-A) also indicates an increase of 1,400 jobs during CY 1996. However, the CY 1996 total of 34,300 jobs still remains well ahead of the 24,300 jobs recorded during CY 1988 (+10,000). Much of this growth over the past eight calendar years occurred between CY 1992 and CY 1996 (Table 13-A) increasing by an astounding 6,600 jobs.

Highway construction continues to be a major component of the total statewide construction picture. Currently, West Virginia has 409.6 miles of the Appalachian Corridor Highway System completed. The state has approximately 111 miles left to build, costing \$947.5 million dollars. Nearly 94 miles of the remaining 111 are part of Corridor H, from Elkins to Wardensville, West Virginia. Opponents of this proposed highway have recently appealed a federal judge's dismissal of their previous lawsuit. During October 1997 the judge ruled that state and federal officials had met all requirements for choosing where to build the highway. The opponents of this proposed project claim the highway would destroy forests and rivers, without providing economic benefits. Many economic developers say this road is vital to economic progress in the area. The West Virginia ski industry would likely be a major beneficiary of this highway. Actual construction may be several years away.

The last major hurdle to completion of Corridor G was eliminated during August 1997, with the completion of a \$13.1 million dollar bridge project in Logan County. A small paving project and a bridge across the Tug Fork of the Big Sandy River will complete this highway that will link Charleston and Williamson. Upgrade of Corridor L to four lanes between Summersville and Sutton is nearly complete.

This will allow total divided highway travel from Beckley (I-77-I-64) to Sutton (I-79). Travelers will be able to by-pass Charleston in a north/south direction. Construction will probably be complete in another year.

Corridor D proponents received good news earlier this year, when the Senate transportation subcommittee allocated \$46 million dollars for the project. This highway will provide a four lane by-pass of Parkersburg, linking Interstate 77 and the Memorial Bridge across the Ohio River. This project was proposed nearly 30 years ago but local opposition placed the road on the back burner. A change in the route of the highway removed most of the opposition. An environmental study will be submitted in the near future. This connector could be completed inside of five years.

West Virginia recently opened the first completed section of Interstate 73 near Prichard in Wayne County. Several other segments of this road are currently under construction, with a fourth segment up for bids. When complete, Interstate 73 will ultimately link Detroit, Michigan with Charleston, South Carolina. Approximately 155 miles of this highway will be built in West Virginia linking Huntington with Bluefield. The road will be built along route U.S. 52, traversing Cabell, Wayne, Mingo, Wyoming, McDowell and Mercer Counties. Several of the other affected states are currently debating I-73's route through their area. Completion of this highway through West Virginia has long been a desired event. It would open-up West Virginia's southwestern coal fields to Huntington and the Ohio River.

Two other major highway projects could possibly be a boon to West Virginia's construction industry. Portions of U.S. Highway 35 are currently being upgraded to four-lane status between St. Albans in Kanawha County and Point Pleasant in Mason County. This construction will eventually run approximately 40 miles along the south bank of the Kanawha River to the Ohio River and the Point Pleasant/Gallipolis area. In conjunction with this project, a new bridge is currently being built across the Kanawha River near Eleanor in Putnam County. This new bridge will allow major new economic development to proceed along State Route 34. The West Virginia Department of Transportation has indicated that an expenditure of \$6.5 million dollars is being considered for upgrading portions of State Route 2 in Marshall and Ohio Counties. Upgrading of this highway is considered necessary for future economic growth in the northern Ohio Valley portion of the state.

A number of watershed projects are also on-line for the state. Rural areas in West Virginia have long been ravaged by numerous floods. As a result, \$20 million dollars in federal funds was allocated for flood control projects in the Eastern Panhandle of West Virginia. This project includes a series of earthen dams, a floodwall and a flood forecast and warning system. Also included in the package is the replacement of a bridge on U.S. Route 220 in Grant County. This project is designed to protect the Petersburg area of Grant County for the next 100 years. A similar plan also is to be implemented for the Greenbrier River Valley in the near future.

Major improvements in the locking system on the navigable Kanawha River have been underway during the past several years. This multi-million dollar project supervised by the U.S. Corps of Engineers will greatly reduce the amount of time necessary for barge traffic to navigate the Kanawha River from Montgomery in Fayette County to Point Pleasant and the Ohio River. One upgraded segment of this project has already been completed at the Winfield locks in Putnam County. Further improvements are scheduled for the Marmet and London locking facilities in Kanawha County. The old locks required some tows to break into several parts and lock through separately. This process often required anywhere from eight to sixteen hours to complete. With the new locking system, this procedure will take only a half-hour to complete.

Construction of a hydroelectric facility at the Belleville Locks and Dam continues along the Ohio River near Parkersburg in Wood County. This \$150 million dollar project began during CY 1995 and construction is expected to continue well into CY 1998. When complete, water will be channeled into the plant, turning the turbines and producing electricity. A public recreation area will also be created in conjunction with the facility. A new dam has been proposed for the north fork of the Hughes River in Ritchie County in north-central West Virginia. However, this project apparently is still tied up in the court system appeals process, with construction plans currently on hold.

Water and sewer line development continues as part of a major statewide construction campaign to improve the infrastructure base in West Virginia. A \$60 million dollar bond issue is the financing vehicle for this project. Putnam County has recently embarked on a massive improvement of water and sewer facilities. Regular water and sewer service is to be extended to 400 families along U.S. Highway 35 in the Fraziers Bottom area. Some construction has started on segments of the lines not under a right-of-way dispute. Those segments under dispute are likely to be completed in the near future, when easements are obtained. This project, one of a number of infrastructure improvements, is at least partly associated with the on-going construction of a major manufacturing facility located in the county. More importantly, these basic service improvements will greatly reduce the potable water problems associated with an archaic system of wells that have long been a detriment to economic development in Putnam County. This improving situation is being felt statewide as well.

Tourism in West Virginia also has been a recent driving force of job growth in the construction industry. The boom in the growth of the number of restaurants and lodging facilities certainly is related to the overall growth in the tourist industry. Recent events in the Fayette/Raleigh County area tend to confirm the positive trend. The Fayette County Commission recently paved the way for a large lodging facility to be constructed near Mount Hope, along U.S. Highway 19. This facility will have a 20,000 seat amphitheater, a 150 room motel, a conference convention center, along with a restaurant. In addition, developers of a huge animal theme park are giving strong consideration to a location in the same area. A family entertainment complex is also planned for this area along U.S. 19.

Total nonfarm payroll employment in the construction industry is forecast to increase by 1,600 to a level of 37,000 jobs (Table 5). This projects an annual increase of 2.3 percent per year through FY 1999.

Manufacturing Industries

Total manufacturing employment declined by 700 jobs during FY 1997 (Table 5). This negative trend in manufacturing differed from FY 1996 when manufacturing increased by 300 jobs. The statewide durable goods sector remained unchanged from FY 1996. Job gains in lumber, wood and furniture products (+600) and stone, clay and glass (+200) were offset by an annual loss of 700 jobs in primary and fabricated metals. The loss in metals employment resulted from an eleven-month labor-management dispute in northern West Virginia. Nondurable goods manufacturing decreased by 800 jobs during FY 1997. A portion of this overall decline occurred in the statewide chemical industry (-300).

The West Virginia lumber, wood products and furniture industry continues to prosper, with employment increasing by 800 jobs over the past two fiscal years. In Mercer county, Georgia-Pacific continues to increase employment at their sawmill facility. JELD-WEN an Oregon-based manufacturer will invest in a new state-of-the-art production facility to be located near Craigsville in Nicholas County. This company is one of the world's largest manufacturers of doors, windows and specialty wood products. The L.J. Gallo company will establish a new manufacturing facility in Elkins, Randolph County. This new facility will produce wood molding products and will employ 50 or more workers. Bruce Hardwoods, also in the Elkins area, continues to increase employment slowly. Allegheny Wood Products in Preston County plans to hire an additional 30 to 40 employees, split between the sawmill in Kingwood and drying kilns facility at Hazelton. This development is contingent on the approved sale of industrial revenue bonds by the West Virginia Economic Development Authority. Weyerhaeuser Company officially opened its new oriented strand board plant during October 1996. This plant, located near Heaters in Braxton County, could hire an additional 200 workers in the not too distant future. Lignetics Incorporated opened a new wood pellet plant in Gilmer County that may employ as many as 65 people over the next several years.

The recent steady growth in West Virginia's wood products industry has created somewhat of a controversy among a number of groups with varied interests. A recent sale of timbering rights in the Blackwater Canyon area of Tucker County has produced major disagreement among a number of these groups. Environmentalists see the development of increased logging in the area as a threat to the land's natural beauty. Appeals have been filed with the Public Service Commission to void the sale of the

property. West Virginia University researchers have recommended that more finished wood products should be produced in West Virginia, thus keeping more of the profits within the state's boundaries. This could be accomplished through tax cuts for wood-products manufacturers.

Lumber, wood products and furniture is forecast to increase by 800 jobs through FY 1999, increasing to 11,400 employees.

Primary and fabricated metals employment declined by 800 jobs during FY 1997. Most of this decrease, however, reflects a major labor-management dispute that affected the steel industry in northern West Virginia. As a result, there was little actual change in the job count in this category. Weirton Steel, which is a major cog in the statewide steel industry, closed its Sinter plant, permanently furloughing 60 employees. This plant, which processed mill scale, sludges, flue dust and iron ore into an agglomerate material, was unable to meet air pollution control standards. The company has been undergoing a continuous downsizing based on normal attrition. Wheeling-Pittsburgh Steel Company was caught in the grips of a bitter eleven-month long labor management from October 1996 through August 1997. The effects of the dispute have resulted in the layoff of approximately 350 workers when sections of the company facilities were permanently closed. Wheeling-Pittsburgh had recently made capital improvements to its West Virginia operation, transforming the factory from a three-furnace to two-furnace facility. This was accomplished in order to make the plant more efficient and to reduce airborne emissions. Century Aluminum in Jackson County recently revealed plans to spend \$28 million dollars on its plant over the next three years. This venture will create 40 new jobs.

Most experts believe that the steel industry in the United States has completely recovered from its demise during the 1970's and 1980's. Foreign competition that plagued the industry during the previously mentioned period has since abated. American producers made substantial technological improvements to their plants and facilities, and developed a leaner workforce that has made their products more competitive. This current workforce in the domestic steel industry is certainly one of the most productive in the world.

Primary and fabricated metals employment is projected to remain essentially unchanged from a FY 1997 figure of 18,000 jobs during FY 1999.

The transportation equipment manufacturing sector continues to be a growth industry in West Virginia. Toyota Corporation is building a new \$400 million auto sub-assembly parts operation near Eleanor in Putnam County. Construction of the plant has already begun and will begin production sometime in CY 1998. At full production this facility will employ approximately 275 workers. Lippert Components of Alma, Michigan will open a production plant near Berkeley Springs in Morgan County. They will produce metal chassis for recreational vehicles for final assembly. As many as 50 workers will be employed when fully operational. Allegheny Ballistics Laboratory in Mineral County has been selected by the federal government to build component parts for the next generation of AIM 9-X air to air missiles used by the U.S. Navy and Air Force. The length of the contract will run over the next several years.

The aviation industry is currently making some inroads into West Virginia's labor market. TLM Aerospace Inc., a subsidiary of Tong Long Metals of Taiwan, will build a new plant (next year) at Martinsburg in Berkeley County. The company initially plans to invest \$15 million dollars and employ as many as 400 workers. They will make two models of single and four-engine aircraft. Another aircraft production company, Sino Swearingen is currently in the process of building a facility in Martinsburg. This \$150 million dollar plant is expected to employ as many as 800 workers at full production.

Electrical and nonelectrical machinery manufacturing industry employment declined slightly (-100) during FY 1997. This industry has grown by 400 jobs total over the FY 1995 to FY 1997 comparison period. The forecast through FY 1999 indicates no change in employment over the two-year projection period. Durable goods manufacturing employment is forecast to increase by 1,500 jobs through FY 1999 to an employment level of 49,600. Much of this gain reflects growth in the West Virginia lumber, wood products and furniture industry.

Nondurable goods manufacturing employment declined by 800 jobs during FY 1997. Comparison with the FY 1995 total reveals a loss of 1,600 jobs over the two-year comparison period. Approximately half of this

decline occurred in the chemical industry (-700). Downsizing resulting from the implementation of new production technologies has been a recurring event at chemical plant sites around the state. Many of the job losses in the chemical industry have occurred in the Kanawha Valley, which at one time was considered the "Chemical Center of the World". The Dupont Belle Plant received some very good news earlier during CY 1997. Dupont headquarters has decided to produce a new herbicide used in citrus farming at its Belle, West Virginia facility. This will represent a \$10 to \$20 million dollar investment in the facility. This could possibly result in new jobs for this plant. Union Carbide has upgraded its ENB unit at Institute indicating a commitment to the Kanawha Valley.

Employment in West Virginia's chemical industry is projected to decline by 500 jobs through FY 1999 to a level of 14,600 jobs.

The food processing industry in West Virginia continues to do well. Much of this growth is centered around the poultry industry in Hampshire and Hardy Counties in West Virginia's Eastern Panhandle. Pierce Foods of Moorefield in Hardy County recently reached an agreement with two Japanese companies to provide chicken products. This West Virginia firm will provide an initial one million pound shipment of drumsticks to Snow Brand, the ninth leading food manufacturer in Asia. Pizza La wants Pierce to develop a seasoned line of chicken products. Additional hires are a likely result of the new contract.

Quad-Graphics in Martinsburg in Berkeley County formally opened its new production facility. This print-to-order plant could employ up to 1,000 workers eventually. Approximately 200 workers staff this facility currently. The proposed pulp mill plant for Mason County apparently is off the table. Parsons and Whitmore apparently has given up its option to buy land for the plant. Environmentalists have vigorously opposed the plant believing that its bleaching process would result in higher levels of dioxin being released into the water supplies. Dioxin is considered a cancer-causing chemical.

Employment in the nondurable goods sector is projected to increase slightly (+100) through FY 1999 to a level of 33,600 jobs.

SERVICE-PRODUCING INDUSTRIES

Transportation and Public Utilities

Transportation and public utilities employment declined by some 800 jobs during FY 1997. Comparing data over the two-year period indicates a decrease of 1,600 employees. Almost all of the decrease between FY 1995 and FY 1997 reflects losses in electric, gas and sanitary services (-1,300). Most utilities in West Virginia have pared down their payrolls due to the recent federal deregulation of the industry. In addition, Monongahela Power and Potomac Edison Power Company have merged under the umbrella of Allegheny Power. American Electric Power is currently building a customer service center located in Hurricane, Putnam County. This facility should be completed by the end of CY 1997. American Electric Power indicates as many as 150 positions will need to be filled. A number of these will be filled by transfers, although some of the jobs will be staffed by new employees. American Electric Power has recently been entertaining ideas of getting into the natural gas business. Columbia Gas Systems has already been on record as favoring some type of partnership with electric companies as a method of marketing their product. This possible arrangement may lead to consolidation of services, which could result in possible additional downsizing. A similar situation is occurring in the Allegheny Power System, with the company planning to offer local telephone service. Their partnership with Adelphia Communications Corporation also follows a recent trend among utilities in trying to retain customers in a deregulated market. Electric, gas and sanitary services is projected to decline (Table 5) by 600 to a level of 10,200 employed through FY 1999.

Employment in West Virginia's communications industry remained unchanged during FY 1997. The two-year comparison indicates a decline of only 100 jobs. Bell Atlantic appears to be totally committed to West Virginia. This firm announced recently that they will invest \$20 million dollars into an improved telecommunications network in West Virginia. The new system will utilize a broader bandwidth, reducing

the time it takes to transfer data from hours down to seconds. This service will be marketed to businesses, health-care providers and schools. Educational use will be encouraged by offering grants. This new system certainly will make the state more appealing to prospective businesses. Earlier this year, the Public Service Commission announced that state residents could choose from among as many as twelve firms for routing their in-state phone calls. This event should work to reduce the cost of in-state calls by encouraging more competition. However, these state of the art communications improvements are unlikely to result in any substantial increase in employment.

Communications industry employment is projected to grow by only 200 jobs through FY 1999 to a level of 8,400 jobs.

Transportation industry employment in West Virginia declined by 100 jobs during FY 1997. Comparison with FY 1995 data reveals a decrease of 300 jobs. Trucking and warehousing industry employment has been on the decline over the past several calendar years. The job count in this industry peaked during CY 1994 at 12,000 employees. Since then, that figure has declined by 600 jobs statewide, averaging 11,400 at the end of CY 1996. A good portion of this decline reflects closures in the Kanawha County area (Charleston) of West Virginia. However, this particular industry seems to be doing well statewide.

Amtrak, the nation's passenger rail service deliverer, is in serious financial straits. The U.S. Senate has recently passed a funding bill that will provide Amtrak with \$3.4 billion dollars in operating funds. However, the U.S. House of Representatives has yet to act on their funding initiative. MARC, the Maryland-based commuter rail company, is seriously considering extending service farther west into West Virginia. Their plan would extend MARC's Brunswick line, which ends in Martinsburg, an additional 18 miles to an existing rail station in Hancock, West Virginia. Federal regulators are currently spending some additional time reviewing the proposed dual takeover of the Conrail system. Under the current merger scenario, Norfolk Southern would acquire most of Conrail's 240 miles of track in West Virginia. Both Norfolk Southern and CSX would share rail lines in Monongalia County in northern West Virginia. It is hoped that service and safety problems will be ironed-out during this 45 day review period, allowing the merger to go through.

Transportation industry employment in West Virginia is projected to increase by 300 jobs through FY 1999 to a level of 20,000 (Table 5).

Transportation and public utilities employment is projected to decline slightly by 200 jobs through FY 1999 to a level of 38,600 employed.

Trade

Total trade in West Virginia has increased appreciably over the past two fiscal years. During FY 1997 alone, total trade increased by 3,300 jobs (Table 5). Reviewing the two-year comparison indicates the trade sector advanced by 5,300 jobs. Retail trade advanced by 4,800 jobs. Approximately one-fourth of the statewide job growth between FY 1995 and FY 1997 occurred in trade.

The growth in retail trade is related to the two most important factors in starting a retail business, the population and income of an area. West Virginia has experienced growth in both of these determining factors. Total population in West Virginia increased 1.8 percent during the period from CY 1990 to CY 1996, while total personal income increased by approximately 30.8 percent.

The large majority of the two-year increase in retail trade occurred in the eating and drinking places industry (+2,600). There are a number of reasons why this particular sector is doing so well in West Virginia. Working couples often find that dining outside the home during a busy work week saves time, money and energy. Most households in metro areas often fit into this category of having two wage earners. Secondly, the number of different types of restaurants is increasing, giving consumers a greater choice of menus. Thirdly, the tourism industry in West Virginia is also fueling the rapid job growth in the statewide restaurant industry. With numerous Interstate and Corridor Highway Systems traversing West Virginia, thousands of people pass through West Virginia daily, not to mention those who are visiting tourist attractions throughout the state. One factor that may not be as apparent is the amount of part-time

employment in the restaurant industry. Many employees working in this industry are on part-time status, allowing work sites to become more labor-intensive.

Eating and drinking places employment in West Virginia is expected to continue to grow. This category is forecast to increase by 1,500 jobs through FY 1999 to a level of 45,000 jobs. This represents approximately one-third of the job growth in the retail trade industry.

Auto dealers and service station industry employment grew by 1,200 jobs between FY 1995 and FY 1997. A major portion of this two-year increase is associated with the growth in the number of convenience stores. These stores often use their gasoline service to promote sales of staple grocery items such as milk, bread and other convenience goods and sundry items. Customers also like the time saving nature of the business, which allows them to avoid the long check-out lines at supermarkets. In a sense, these facilities should probably be considered as food stores rather than service stations.

Total employment in the auto dealers and service stations industry is projected to increase by 600 jobs, reaching an employment level of 18,100 through FY 1999.

Food stores employment increased by only 300 jobs during the FY 1995 to FY 1997 comparison period. The slow growth in job opportunities probably reflects a saturated market in West Virginia. Earnings in this industry have been relatively good during FY 1997. The food stores industry continues to benefit from increased productivity and declining costs resulting from new technologies. Kroger company recently moved their warehousing operations from Charleston to Roanoke, Virginia. Approximately 250 jobs were lost in the Kanawha Valley. This move was made in order to centralize their warehousing function. Food stores employment in West Virginia is projected to grow by 500 jobs through FY 1999 to a level of 24,400 employed.

General merchandise stores industry employment has increased by 500 jobs during the two-year comparison period from FY 1995 through FY 1997. Wal-Mart recently opened two new stores located in Charles Town in Jefferson County and at Logan in Logan County. This firm is also in the process of building a new store near Nitro in Kanawha County. Kohls a nationwide department store has opened a new store in the Huntington area, employing approximately 100 workers. Stone and Thomas recently closed their downtown Charleston store. This statewide firm still maintains Kanawha Valley locations in the Charleston Town Center, Kanawha Mall and the Liberty Square Mall in Putnam County.

Total employment in the general merchandise stores industry is projected to grow by 700 jobs through FY 1999 to a level of 18,700 employed.

Total trade industry employment is forecast to increase by 6,100 jobs through FY 1999. Wholesale trade is projected to grow by 1,700 jobs, while the retail sector will increase by 4,400 jobs through FY 1999. The annualized job growth rate in trade will be 1.8 percent or approximately the same as that for total nonfarm payroll (+1.8%) employment at the statewide level.

Finance, Insurance and Real Estate

Finance, insurance and real estate industry employment (a sector that normally shows little change) has shown some movement over the past two fiscal years (Table 5). This particular industry increased by 900 jobs during the FY 1995 to FY 1997 period, increasing to 27,400 employed.

The state banking system that exists today in West Virginia is relatively new by national standards. Until 1984 branch banking was forbidden and outlawed by state statute. By 1986 bank branches began locating statewide, and a year later bank holding companies became legal. This permitted stronger asset-laden banks to absorb smaller country-style banks, thus improving capital positions and allowing more lending. Most of these bank absorptions in West Virginia were done from positions of strength, as the state banking industry was already on sound financial ground.

Nationally, most of the talk surrounding the banking industry concerns the demise of branch banking. The advent of Automatic Teller Machines (ATM's) is likely to reduce the number of employees at banks across the nation. Some forecasts indicate that as many as 450,000 jobs may disappear from the banking industry and half of the branches in the United States will close over the next ten years. Individual bank debit cards

may also ultimately eliminate the need for checks. West Virginia's finance industry employment has remained relatively steady over the past two calendar years. During CY 1995 the number of persons employed in the finance industry remained unchanged at 14,300. That figure declined slightly by 200 jobs during CY 1996. The bleak prospects painted by most opinions at the national level appear not to be holding true locally. Certainly there is a possibility that local banks will layoff workers because of automated banking. However, it is also true that banks are also entering new areas of financial services such as marketing securities, credit cards and investments that will create need for more specialized employees. Notably, most banks in West Virginia have reported increased earnings over the last calendar year.

Banks and credit unions are currently engaged in a running battle for customers. Credit unions originally were created by specific employers for use by employees and their families. Recently however, these chartered financial institutions have expanded geographically and their membership has become more general than specific. A suit brought by North Carolina bankers has moved through the nation's court system and now is being considered by the U.S. Supreme Court. Owners of banks are upset that credit unions receive tax breaks that are not available to them. This situation should not adversely affect job opportunities at state financial institutions.

The real estate industry in West Virginia continues to do well. Although employment in this sector has not moved significantly over the past two calendar years (+200), an upward momentum seems to be developing. Increases in regional population, rising personal income, industrial diversification and a growing number of business concerns are stimulating growth in the West Virginia real estate industry. A gentler but sustained national economic growth pattern is helping to keep inflation in check and has resulted in lower interest rates. Lower interest rates are a proven precursor of expansion in the housing industry. Real estate growth continues in West Virginia's Eastern Panhandle region. Much of the real estate growth in this area results from its proximity to the Washington D.C. metroplex. Lower living costs and real estate tax rates are major incentives to locate in Berkeley and Jefferson Counties. Metropolitan Statistical Areas in West Virginia continue to realize job growth in the real estate industry. The historical lack of housing in these areas seems to be increasing demand for new housing subdivisions. The continuing diversification of the state's industrial make-up is also fostering growth in the development of industrial parks and increasing the demand for new or refurbished office space for business.

Insurance industry employment has shown some remarkable growth over the past several calendar years. This particular industry has grown by 1,100 jobs between CY 1994 and CY 1996. Much of this increase reflects the administration of medical insurance programs. In addition, there is also apparent growth in West Virginia's life and auto insurance industries.

Total employment in finance, insurance and real estate is forecast to increase by 800 jobs to a level of 28,200 by FY 1999. The rate of annual growth over the two-year projection period is expected to be 1.5 percent.

Services

Services continues to be West Virginia's fastest growing industrial sector. During FY 1996 service employment grew by 8,800 jobs, while during FY 1997 that figure increased by another 6,400 jobs to 194,400 employed. During FY 1997 service industry employment accounted for approximately 61 percent of all the job growth realized throughout West Virginia. Over the FY 1995 to FY 1997 period, services industry employment comprised about 72 percent of total statewide nonfarm payroll employment growth. Total services job growth increased at approximately twice the rate of the total nonfarm figure.

Employment in the business services sector continued its brisk growth between FY 1995 and FY 1997. During the two-year comparison period, the number of jobs created in this industry increased sharply by 4,500. This continuing expansion reflects the growing trend among statewide businesses of contracting with outside firms for specific service needs. These newly created companies in the business services sector provide personnel ranging from security guards, janitors and clerical temporaries to accountants and

computer specialists. Using personnel from these agencies allows employers to avoid paying for costly fringe benefits packages.

One of the most recent trends in the West Virginia business services industry has been the rapid job growth in the statewide telemarketing industry. Approximately 4,000 new jobs have been created statewide between CY 1994 and CY 1996. One of the most recent additions to the telemarketing family in West Virginia is TeleTech Holdings, Inc.. This Denver, Colorado based firm anticipates hiring approximately 500 workers in the Charles Town, Jefferson County area. Earlier this year TeleTech announced plans for an office at the Marshall County Business Park near Moundsville, where it would hire 520 new employees. TeleSpectrum Worldwide, Inc. of Pennsylvania has also announced plans to locate two new centers in West Virginia, eventually adding an additional 1,000 employees to its payroll. Dial Direct and Aspen Systems are some of the other firms that have located in West Virginia over the past few years. West Virginia is certainly fertile ground for the location of back-office style communications operations. Intensive fiber-optic development of West Virginia has been an on-going process and will continue to yield huge dividends in the future.

The "Software Valley" concept continues to flourish, developing new technologies and fostering additional job growth in West Virginia. This technology development initiative currently affects most of West Virginia. This program emphasizes computer services as a primary statewide industry. It is being accomplished by the marshaling of various government, academic, business and community resources. When the established goal is met, this program will send West Virginia into the 21st century with the prospect of attracting permanent jobs having high wages and excellent benefits.

The FY 1997 business services employment level of 24,400 is projected to grow by 4,500 jobs to 28,900 employed by FY 1999.

The health services sector has also been a growth industry in West Virginia. Between FY 1995 and FY 1997, health services employment increased by 2,400 jobs statewide. The rate of employment growth in this sector has slowed somewhat over the past several years. The advent of "Managed Care" from Health Maintenance Organizations (HMOs) has noticeably slowed the cost of medical care services in the United States. Nationally, one of every four Americans is enrolled in some form of a managed care system. In West Virginia, only five percent of state residents are currently enrolled in one of these organizations. New estimates indicate that the national trend will prevail over the next five years, when one in four West Virginians will join HMOs. In addition, new federal mandates are likely to make it more profitable for managed care systems to enter rural markets. As a result, we are likely to see HMOs integrated into the federal Medicare program, which provides medical care to the elderly. The same situation applies to the Medicaid program that supplies medical care services to the poor and disabled. West Virginia has the second-highest median age in the United States. The continued aging of the resident population by itself will result in a higher demand for medical services in the future.

Recent events indicate continuing reorganization among medical care providers. Charleston Area Medical Center, the largest health care provider in West Virginia recently announced plans to consolidate inpatient care services by 45 percent at its three divisions in Charleston. Putnam General Hospital has announced plans to become part of the America Group. They were formally allied with Columbia/HCA Healthcare Corporation, which is currently undergoing a restructuring. West Virginia University Hospitals and United Health Care Center in Clarksburg in Harrison County have merged their operations, hoping to improve services, reduce costs and to strengthen these hospitals against competition from the University of Pittsburgh Medical Center and Columbia HCA.

In spite of the increase in managed care in West Virginia, the health care services industry is projected to increase by 4,300 jobs through FY 1999 to a level of 72,000 employed.

Engineering and management services employment has increased by 1,900 jobs over the two-year period from FY 1995 through FY 1997. The relatively rapid growth in this industry appears to be the result of business concerns outsourcing their accounting function to management services. Employers find it profitable to contract to outside services firms rather than maintain less profitable departments within their firms.

Engineering and management services industry employment is projected to grow by 1,100 jobs through FY 1999 to a level of 12,500 employed.

Hotels and other lodging places industry employment has grown by only 400 jobs over the past two fiscal years (Table 5). The improved business climate in West Virginia, along with a rapidly growing tourist industry are likely to markedly increase employment in this sector. Embassy Suites has recently opened a new hotel in downtown Charleston, adding hundreds of new jobs for the Charleston job market. Country Inn and Suites, Budget Inn and Fairfield Inn have all opened new facilities in Raleigh County, near Interstates 77, 64 and the West Virginia Turnpike. Charles Town Races in Jefferson County may show some growth in the not-too-distant future. The Pennsylvania firm that owns the racetrack is considering building a hotel and entertainment complex nearby to attract more tourists to the racetrack. The firm currently owns approximately 166 acres of land adjacent to the track. The Fayette/Raleigh County area may also be in line for construction of an entertainment complex that includes a large new hotel.

Hotels and other lodging places employment is expected to increase by 600 jobs to a level of 10,000 jobs through FY 1999.

Social services employment has increased by 300 jobs over the two-year comparison period from FY 1995 through FY 1997. Growth in "in-home" care services for the elderly has been the driving force for job gains in this particular category. Considering the continuing "graying" of West Virginia's resident population, increased demand for social services is likely.

Social services employment is projected to increase by 500 jobs through FY 1999 to a level of 18,300 employed.

Government

Total government employment in West Virginia increased by 2,600 jobs during the FY 1995 to FY 1997 comparison period. During FY 1997 alone, government grew by 1,000 jobs. The annual rate of growth was approximately 1.0 percent per year, well below the statewide nonfarm rate of 1.5 percent per annum.

Federal government employment advanced by 700 during FY 1997, increasing to a level of 20,400 jobs. Over the past several years, the West Virginia job market has benefitted from the location of a number of federal agencies in the State. The Federal Bureau of Investigation Fingerprint Division, which is located near Clarksburg in Harrison County is currently up and running. This facility employs approximately 3,000 workers and should be near peak employment. The FBI complex is making a huge contribution to the local economy with its annual economic impact of \$75 million dollars. The new \$81 million dollar federal courthouse in Charleston is near completion and should be ready for occupancy by December 1997. The budget for the U.S. Department of the Interior is under consideration by the U.S. Senate. As much as \$22 million dollars could potentially be earmarked for West Virginia. This bill includes an additional \$4 million dollars for the operation of the U.S. Fish and Wildlife Services National Conservation center which opened recently near Shepherdstown in Jefferson County. The Internal Revenue Service has scrapped plans to lay off 5,000 employees nationwide. This comes as good news for IRS employees in Parkersburg and Martinsburg. The recent changes in federal tax laws halted any attempts of downsizing. Federal government employment is projected to increase by 2,300 jobs through FY 1999, bringing the employment level to 22,700 jobs.

State government employment in West Virginia increased by only 500 jobs during FY 1997. Employment in this sector has grown by 1,000 jobs during the period from FY 1995 through FY 1997. Much has been said about reducing the size of West Virginia State government employment. This sector absorbed a major reorganization that occurred earlier in the decade. This reorganization was designed to streamline the delivery of services and to eliminate inefficiency. Erroneously, most people assumed that this process would decrease employment at the state level. State government employment is much too complex in its make-up to analyze. During CY 1996, employment at the state's colleges and universities accounted for approximately 45 percent of the employment in state government. Increasing enrollments mean more employees. In addition, the federally-funded work study programs (noncovered government) add

thousands of students to the state government payroll. Even though they are part-time and received federal monies through the state, they are counted as state government employees. Data for CY 1993 from The Statistical Abstract of The United States indicates that full-time equivalent employment per 10,000 population in West Virginia is 1,840 state employees for every 10,000 state residents. This places West Virginia well above the national average. However, 19 other states have rates higher than West Virginia. In addition, a number of other states have rates that are similar to West Virginia's. This means, proportionally, West Virginia has no more full-time employees than most other states. West Virginia typically garners large dollar amounts of federal funding due to its poor performance relative to income standards and labor market conditions. Many federal funding guidelines use these indicators in determining the amount of monies allocated to the individual states. More federal funding for federally -mandated programs such as Medicaid often result in a higher level of full-time employment at the state level. The decision by Congress to "give-back" federal dollars to the state in block grants is likely to shift the administration of many programs to the state level.

State government employment is forecast to show an increase of 900 jobs through FY 1999, reaching a level of 45,300 jobs.

Local government employment in West Virginia has remained essentially unchanged over the two-year comparison period between FY 1995 and FY 1997. County school systems historically provide the majority of employment at the local government level. Local education has increased by only 600 jobs between CY 1994 and CY 1996. The continuing decline in the number of school-age children in West Virginia and an ongoing school consolidation program may limit employment in this sector over the next several fiscal years. Local government health industry employment has declined by 300 jobs over the past two calendar years. Job losses in this category reflect the decline in employment at hospitals located in primarily rural areas of West Virginia. Other local government increased by 700 jobs over the past two calendar years. This reflects job growth at the municipal (city) level.

Local government employment is projected to increase by 900 jobs through FY 1999, reaching a level of 75,400 employed.



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